

Trabusi, Raymond

Webmail Message

Subject: Banks

Goldman Rip Off

Reports that Goldman Sachs may be fixing prices suggest yet another abuse by Wall Street bankers, abetted by tax regulators. Goldman has allegedly been driving up the price of aluminum by delaying its delivery to users from storage facilities it owns in the Detroit area, says a story in the New York Times (A shuffle of aluminum, but to Banks, pure gold). How bad are the delays? Before it bought the warehouses, delivery took an average of six weeks. Now it takes 16 months.

The price hike amounts to about a tenth of a cent per Coke or Budweiser can. With 90- billion aluminum cans consumed in this country in an average year, not to mention the vast quantities of aluminum used in cars, home sidings and elsewhere, we are talking big money. Through fancy footwork controlling aluminum deliveries, investment banks have siphoned more than \$5 billion from American consumers over the past three years.

Commodity markets are increasing being taken over by hedge funds, investment banks and other financial enterprises scouring regulations for immensely profitable loopholes. In this case, opportunities may have been found in the antiquated rules set by the London Metal Exchange.

Actually, existing regulations require Goldmans warehouse business, Metro International, to send out at least 3,000 tons a day. But instead of shipping it to customers, it sends some of it to another warehouse. How clever.

The London Metal Exchange would seem a nest of conflicts of interest. It takes 1 percent of the rent collected by the worlds warehouses. Until recently, it was owned by its members. Goldman among them. And the president of Goldmans Metro International was on a committee that writes the exchanges regulations.

Banks used to be barred from engaging in commodities commerce. They should be again